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C O N F I D E N T I A L SECTION 01 OF 02 BEIJING 000519

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SUBJECT: ZARDARI VISIT HIGHLIGHTS CLOSE CHINA-PAKISTAN TIES

Classified By: Political Minister-Counselor Aubrey Carlson,  
reasons 1.4 (b/d).

Summary

1. (C) Pakistani President Asif Zardari's February 20-24 visit to Hubei Province and Shanghai was aimed at expanding bilateral economic cooperation and promoting investment, especially in the financial, agricultural, hydroelectric, and water conservation sectors. The two sides inked a Pakistan-China Free Trade Agreement in services. Zardari's highest-level meeting was with State Councilor Dai Bingguo, during which the two sides discussed bilateral and regional issues, as well as counterterrorism. China's policy toward Pakistan is "unswerving," Zardari was told, and China is willing to work with Pakistan to "push strategic cooperation to a new high." Regarding counterterrorism, a senior Pakistani diplomat said the Chinese told President Zardari, "we are in this with you" and China is willing to share intelligence and help with military aid and other resources. End Summary.

Background

2. (SBU) Pakistani President Asif Zardari visited China February 20-24 at the invitation of the Chinese government, according to the MFA and the Pakistan Embassy. Zardari's visit, his second to China since taking office in late 2008, included stops in Wuhan in central China, the Three Gorges region between Wuhan and Chongqing, and Shanghai. Zardari met State Councilor Dai Bingguo in Wuhan and met with provincial and municipal officials at each stop.

Main Focus: Economic Cooperation

3. (SBU) Zardari's visit was aimed at expanding bilateral economic cooperation and promoting investment, especially in the financial, agricultural, hydroelectric, and water conservation sectors, Pakistani Embassy Counselor Shafqat Ali Khan told PolOff on February 21. The two sides inked a Pakistan-China Free Trade Agreement in services, "completing" the bilateral Free Trade Agreement, our contact said. MFA Asian Affairs Department South Asia Division Deputy Director Cao Jing February 27 told us that Zardari held talks with officials from the agricultural and water conservation sectors and signed memoranda of understanding on agriculture, water conservation and local government cooperation. Pakistani diplomat Khan said that Pakistan hoped to attract Chinese investment in the Pakistani banking sector and jumpstart the dormant China-Pakistan Joint Investment Company.

Bilateral Issues

4. (C) President Zardari's highest-level meeting was a dinner

February 21 in Wuhan hosted by State Councilor Dai Bingguo. According to MFA's Cao, the sides discussed bilateral and regional issues, as well as counterterrorism. Zardari expressed support for the Sino-Pakistani traditional friendship and urged expanded cooperation. The Pakistani side reportedly expressed gratitude for China's support and assistance. The Chinese side told Zardari that Pakistan was a good "neighbor, friend, partner, and brother." China seeks to expand cooperation with Pakistan in politics, economics, security, and culture. China's policy toward Pakistan is "unswerving," and China is willing to work with Pakistan to "push strategic cooperation to a new high," the Chinese told Zardari.

#### Pakistani-Indian Ties, Counterterrorism

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¶5. (C) President Zardari's meeting with State Councilor Dai touched on the Pakistani-Indian relationship and counterterrorism, said our contacts. The Pakistani side briefed PRC officials on their desire to have positive and active ties with India, Cao said. The Deputy Director said the Chinese expressed their view that peace and stability in the region were of "vital importance," and the PRC supported Pakistani-Indian efforts. The meeting did not include a discussion on the Mumbai bombing, but China encouraged continued cooperation on counterterrorism. Cao noted that she personally did not think the Pakistani-Indian relationship was as tense as it had been in past months, and suggested both sides should get back on a "normal track." Calling terrorism a challenge for "all mankind," Cao said China had noted its appreciation for Pakistan's efforts,

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while Pakistan said it would not allow its territory to be used against another country. Pakistani diplomat Khan said the Chinese had told President Zardari, "we are in this with you" and that China is willing to share intelligence and provide military aid and other resources. Khan stated there was no discussion of the recent ceasefire agreement in Swat.

#### Reaction

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¶6. (C) Both Pakistani and MFA contacts said the visit was "successful." Deputy Director Cao stated that Zardari's trip "enhanced mutual understanding and expanded consensus" and that it was "conducive" to the Sino-Pakistani "all-weather friendship." She noted that President Hu Jintao had called Zardari when he reached Shanghai to "congratulate him on a successful visit." Pakistani diplomat Khan said that beyond the services agreement, Pakistan did not seek specific take-aways from the Chinese side, but the Embassy viewed the visit as a success because it exposed President Zardari to different parts of China, which Pakistan views as a model for development. Offering a different perspective, Ye Hailin, scholar at the MFA-affiliated Chinese Academy of Social Sciences (CASS), said February 25 that Zardari's visit was mainly motivated by the March parliamentary elections in Pakistan. Nawaz Sharif and Pakistani Senate opponents were "powerful," said Ye. Zardari was not in a very "stable" position, and he "needs a diplomatic success."  
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